COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0336-06
Bill No.: Truly Agreed To and Finally Passed CCS for HCS for SB 23
Subject: Counties; Taxation and Revenue-General
Type: Original
Date: June 14, 2013

Bill Summary: This proposal modifies provisions relating to political subdivisions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	Unknown could exceed $500,000	Unknown could exceed $500,000	Unknown could exceed $500,000
Total Estimated Net Effect on General Revenue	**Unknown could exceed $500,000**	**Unknown could exceed $500,000**	**Unknown could exceed $500,000**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 32 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Conservation	Unknown	Unknown	Unknown
Parks, Soil & Water	Unknown	Unknown	Unknown
School Districts	Unknown	Unknown	Unknown
Insurance Dedicated	($10,500,000)	($500,000)	($500,000)
Missouri Health & Educational Facilities Authority	($4,000,000)	$0	$0
Rebuild Damaged Infrastructure*	$0	$0	$0
Blind Pension	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on Other State Funds	**Unknown to (Unknown greater than $14,500,000)**	**Unknown to (Unknown greater than $500,000)**	**Unknown to (Unknown greater than $500,000)**

*Income and costs net to zero

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	3 FTE	3 FTE	3 FTE
Total Estimated Net Effect on FTE	**3 FTE**	**3 FTE**	**3 FTE**

☒ Estimated Total Net Effect on All funds expected to exceed $100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed $100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government*	**Unknown to (Unknown)**	**Unknown to (Unknown)**	**Unknown to (Unknown)**

*Offsetting fiscal impact of $7.1 million revenue reduction to certain subdivisions and additional revenue to certain subdivisions beginning in FY 2017 due to §137.720.

FISCAL ANALYSIS

ASSUMPTION

§§ 32.087, 144.020, 144.021, 144.069, 144.071, 144.440, 144.450, 144.455, 144.525, 144.610, 144.613, and 144.615 - Local Sales and Use Tax on motor vehicles, motors, boats and trailers:

In response to similar legislation filed this year, SB 182, officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed this proposal would not result in additional costs or savings to their organization.

BAP officials stated the proposal would, if enacted, impose local sales taxes on motor vehicle sales by an out-of-state seller to a Missouri buyer. The proposal would have no impact on state revenues, because of the existing state use tax. However, the proposal would increase local revenues for subdivisions that do not currently impose a use tax. The Department of Revenue may have data on any estimated increases. BAP officials noted the proposal may impact the limit imposed in Article X, Section 18(e).

Officials from the **Department of Revenue (DOR)** assume that it is unknown whether additional “in state" sales would be made as a result of this proposal, but the proposal would likely increase local revenues. DOR officials provided an estimate of the IT impact to implement this proposal of $16,230 based on 600 FTE hours of programming to make changes to DOR systems.

Officials from the **Department of Natural Resources (DNR)** assume this proposal eliminates state and local use taxes on storage, use or consumption of motor vehicles, trailers, boats or outdoor motors.

DNR states The Department’s Parks and Soils Sales Tax Funds are derived from one-tenth of one percent state sales and use tax pursuant to the Constitution. The department assumes DOR would be better able to estimate the anticipated fiscal impact on state sales tax affecting the Parks and Soils Sales Tax Fund.

Officials from the **Office of Secretary of State (SOS)** assume this proposal would require local taxing jurisdictions that do not possess a local use tax, to place a local sales tax on the ballot at any election on or following the 2014 general election but no later than the general election in 2016. SOS assumes this proposal allows local taxing jurisdictions to place the measure on the ballot for any election within such time period, when this measure appears on the ballot may vary from jurisdiction to jurisdiction. Notification of such election may be a new state mandate which must be funded as additional responsibilities under Article X, section 21 of the Missouri

ASSUMPTION (continued)

Constitution. SOS assumes this requirement may lead to unforeseen costs to the Secretary of State's office and local election authorities.

Officials from the **City of Kansas City** note that their organization has a local use tax; therefore, this proposal would not increase their revenues.

Oversight assumes this proposal would have a positive fiscal impact on local governments which currently have a sales tax but no local use tax, and are no longer able to enforce the local use tax on purchases of motor vehicles, boats, and motors outside the state of Missouri. This proposal includes a requirement for local governments (except those in which voters have previously approved a local use tax) to hold an election to approve the repeal of the local sales tax on sales which are not subject to state sales tax. The election may be held as early as the November 2014 general election but must be held no later than the November 2016 general election. If the local government does not hold the election or if the voters approve the repeal of the local sales tax, the sales tax could not be applied to subsequent sales.

Oversight assumes that the number and aggregate amount of underlying sales transaction would indicate a fiscal impact greater than $100,000 for local governments and will include that impact in this fiscal note.

Oversight has no information as to which governments would be subject to the election requirement and will indicate unknown costs for local government elections in FY 2015 and FY 2016. Oversight assumes the cumulative amount of additional revenue realized by local governments would be greater than the election costs.

ASSUMPTION (continued)

§§ 33.080, 33.295, 360.045, & 374.150 - Rebuild Damaged Infrastructure Fund

Officials at the **Office of Administration - Budget and Planning** (**BAP**) assume this proposal would positively impact General Revenue as it requires a $500,000 annual transfer from the Insurance Dedicated Fund to General Revenue.

Officials at the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** assume §33.080 requires a one-time transfer of funds from the Insurance Dedicated Fund in the amount of $10,000,000 to the Rebuild Damaged Infrastructure Fund.

DIFP assume § 374.150 requires an annual transfer of funds from the Insurance Dedicated Fund in the amount of $500,000 to General Revenue.

Oversight notes that the Missouri Health and Educational Facilities Authority will transfer four million dollars ($4,000,000) to the Rebuild Damaged Infrastructure Fund on July 1, 2013.

Oversight assumes this proposal allows the General Assembly to appropriate money for the Rebuild Damaged Infrastructure Fund. This Fund has a $15 million cap.

Oversight will reflect only money coming from the two stated sources and assume the Fund will not get additional appropriations from the General Revenue Fund.

Oversight will reflect the one time transfers from the Insurance Dedicated Fund and from the Health and Educational Facilities Authority to the Rebuild Damaged Infrastructure Fund.

Oversight will reflect all money received by the Rebuild Damaged Infrastructure Fund being used in accordance with the guidelines of the proposal, by the end of FY 2014.

§ 64.196 - Liquefied Petroleum Gas:

Oversight notes this provision states no county building ordinance shall conflict with liquefied petroleum gas installations. This provision will not result in a direct fiscal impact to state or local government funds.

ASSUMPTION (continued)

§67.1010 - Pettis County Transient Guest Tax:

In response to a previous version of this proposal, officials from **Pettis County** indicated that the proposal would lead to increased sales tax revenues. Allowing the Pettis County Tourism Commission to use a portion of the transient guest tax for salaries will insure that tourism marketing for Sedalia and Pettis County will be done in a professional manner. Employing marketing professionals and support staff has the potential to bring in additional visitors for more and larger events from a larger geographical area, therefore increasing sales tax revenues for Pettis county and all the municipalities located therein.

Pettis County assumes that an average visitor to the county spends $58.00 per day and those funds roll over 1.6 times. The county estimates the increase in potential sales tax revenue over a three year period to be $125,280.

Oversight assumes this proposal would remove the current prohibition on using revenues from this tax on salaries. Since this proposal would not increase or decrease revenues or expenditures, it would appear to have no direct fiscal impact on local government funds.

§ 67.1020 Transient Guest Tax Exemptions:

In response to similar legislation filed this year, SB 441, officials from **BAP** assume this proposal would exempt non - governmental agencies congressionally mandated to provide disaster relief services from transient guest taxes. This provision would have no impact on General and Total State Revenues.

Officials from the **City of Kansas City** assume there would be a loss of revenue from this part of the proposal, but could not provide an estimate.

In response to similar legislation filed this year, SB 441, officials from **St. Louis County** assume there would be a minimal amount of lost revenue but could not provide an estimate.

Oversight will include an unknown revenue reduction for local governments due to the exemption from transient guest taxes.

ASSUMPTION (continued)

§67.1368 & 94.1060 - Transient Guest Tax:

In response to a similar proposal from this year, HB 416, officials from the **Missouri Tax Commission**, **Department of Economic Development** and **Office of Secretary of State** each assumed the proposal would not fiscally impact their respective agencies.

Oversight assumes the proposal permits Douglas County, Montgomery County, the City of Jonesburg and the City of New Florence to authorize a transient guest tax, upon voter approval, of not more than 5% per occupied room, per night, to be used for the promotion of tourism.

For fiscal note purposes only, **Oversight** will assign no direct fiscal impact to local governments funds since the proposal is permissive and dependent upon voter approval.

§ 71.285 - Removal of Weeds and Trash:

In response to similar legislation from 2013 (SCS for HB 60), officials at the **City of Farmington** assumed this proposal would have no measurable fiscal impact on the City. The proposal reduces the direct labor and administrative expense related to enforcement of nuisance property ordinances. The only fiscal effect will be to improve the efficiency of police operations related to those offenses.

In response to similar legislation from 2013 (SCS for HB 60), officials from the **City of Perryville** expect to realize a small amount of savings from system efficiencies resulting from this proposal.

Oversight assumes the cities of Farmington and Perryville may recoup costs from the property owner if the city removes trash and weeds from a property with more than one violation within a calendar year.

Oversight assumes this section may result in a minimal savings to the cities of Farmington and Perryville. However, for the purpose of the fiscal note, Oversight assumes no direct fiscal impact from this section on local government funds.

ASSUMPTION (continued)

§ 77.675 - Farmington Ordinances:

Oversight assumes this section authorizes the city council of the City of Farmington to also adopt or repeal any ordinance by submitting the proposed ordinance to the registered voters of the city at the next municipal election.

Oversight assumes there is no measurable fiscal impact from this section of the proposal since the section requires action on the part of the voters in the City of Farmington.

§ 99.845 - Emergency Communications Services Tax:

Oversight notes this provision would exempt emergency communications services taxes from the set-aside requirement in a redevelopment area.

Oversight notes this provision would alter the allocation of tax collections from one local government to another and assumes it would have no net effect on local governments as a whole.

§§ 137.090 & 137.095 - Assessed Value of Tractor Trailers:

In response to a similar proposal from this year, HB 1035, officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed this section of the proposal establishes a new method to determine the assessed valuation of certain tractors and trailers. This proposal will not have a direct impact on general revenues, but local revenues, including those for schools, could be reduced if subdivisions are unable to adjust their levies. This proposal could also reduce Blind Pension Fund revenues.

Oversight assumes this section of the proposal would reduce the assessed valuations of tractor trailers resulting in lower property tax bills for tractor trailer owners.

Oversight assumes an unknown reduction of revenues to local political subdivisions and the State Blind Pension Trust Fund as a result of owners of tractor trailers paying lower property taxes.

ASSUMPTION (continued)

§137.720 - Assessment Fund Withholding:

In response to a similar proposal from this year, officials from the **City of Kansas City (CKC)** stated that under current law, Kansas City is required to pay five-eighths of one percent of all ad valorem property tax collections to the assessment fund of each of the four counties in which the city is located: Jackson, Clay, Platte and Cass counties. This payment includes a component of one-eighth of one percent which would expire on December 31, 2015 under current law.

CKC assumed this section of the proposal would make the one-eighth of one percent payment to the county assessment funds permanent. The additional one-eighth of one percent Kansas City payment to the county assessment funds in fiscal year 2016 is estimated to be $75,840.

In response to a similar proposal from this year, HB 602, officials from **Boone County** stated the current withholding for their county is limited to $125,000 per year, and this section of the proposal would extend the authorization for that withholding beyond December 31, 2015.

In response to a similar proposal from this year, HB 602, officials from the **City of St. Louis** stated the 1/8th percent tax generates about $350,000 for the City each year to help cover the expenses of the Assessor's Office.

In response to a similar proposal from this year, HB 602, officials from the **Missouri State Tax Commission (TAX)** assumed the proposal would have no fiscal impact for their organization. TAX officials advised Oversight that the assessment fund withholding for FY 2010, as reported to their office, was $6.9 to $7.1 million.

Oversight assumes this section of the proposed legislation would extend an existing provision by removing or changing the expiration date.

Oversight assumes removing or changing the expiration date would also extend any fiscal impact associated with the existing provision. For fiscal note purposes, Oversight would indicate a revenue reduction from withholding of $7.1 million from local governments which levy taxes and the same amount of additional revenue for counties (including the City of St. Louis) for assessment funding. Oversight notes that current provisions allow the withholding through December 31, 2015 (FY 2016) and virtually all assessment fund withholding for FY 2016 would be completed by December 31, 2015. Therefore, the first fiscal impact for this section of the proposal would be in FY 2017, which is beyond the time covered by this fiscal note.

ASSUMPTION (continued)

§137.1018 Freight Line Tax Credit:

In response to similar legislation filed this year, HB 201, officials at the **Office of Administration - Division of Budget and Planning (BAP)** assumed this proposal would have no direct impact on General and Total State Revenue but could increase General Revenue spending if the Legislature chooses to make an appropriation.

In response to similar legislation filed this year, HB 201, officials at the **Department of Revenue** and the **State Tax Commission** each assumed there is no fiscal impact to their agency from this proposal.

Oversight assumes this tax credit was to sunset on August 28, 2014. The tax credit is subject to appropriation and does not have an annual cap and has not been authorized in the past. Oversight will show the impact as zero (no appropriation) or an Unknown cost beginning in FY 2015 (if the legislature chooses to appropriate for the credit).

§§ 144.010, 144.030, and 144.605 Sales and Use Tax Nexus:

In response to a similar proposal from this year, HB 578, officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed this proposal would expand the definition of "seller" and other related definitions, under sales tax law to include more out-of-state vendors doing business inside the state.

BAP noted these changes would allow DOR to begin capturing taxes from some vendors that are currently unidentified. It would also make it easier to comply with the Streamlined Sales Tax Agreement.

BAP estimated this proposal would increase Total State Revenues by $10 million annually, of which $7 million would be deposited in the General Revenue Fund.

In response to a similar proposal from this year, HB 578, officials from the **Department of Conservation (MDC)** assumed this proposal would have an unknown fiscal impact, but greater than $100,000 to their organization.

MDC noted that Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to the Missouri Constitution and this proposal would expand the definition of "engaging in business" and "maintaining a business" within the state.

ASSUMPTION (continued)

MDC noted that any increase in sales and use tax collected would increase revenue to the Conservation Sales Tax funds, and assume the Department of Revenue would be better able to estimate the fiscal impact for this proposal.

Officials from the **Department of Natural Resources (DNR)** assume this proposal would modify provisions relating to the Sales Tax Law and the Compensating Use Tax Law.

DNR notes the Department's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to Article IV Section 47(a) of the Missouri Constitution. Provisions related to these sections may result in increased collection of sales and use taxes to the Parks and Soils Sales Tax funds.

DNR assumes this proposal would make agreements between executive branch and any person that exempts them from the collection of sales and use tax void unless approved by the legislature.

DNR assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact to the Parks and Soils Sales Tax Fund as a result of this proposal.

In response to a similar proposal from this year, HB 578, officials from the **Department of Revenue (DOR)** assumed this proposal would modify the current definition of "engaging in business" in this state for sales and use tax purposes.

DOR assumed this proposal would require approval by the General Assembly for any ruling, agreement, or contract between a person and this state's agencies exempting any person from collecting sales and use tax despite the presence of a warehouse, distribution center, or fulfillment center in this state that is owned or operated by the person or an affiliated person. An "affiliated person" would mean any person that is a member of the same "controlled group of corporations" as defined in Section 1563(a) of the Internal Revenue Code as the vendor.

DOR assumes this proposal would generate increased revenue from sellers located outside the state.

DOR assumed three additional FTE along with the associated benefits, equipment, and expense, and totaled $123,042 for FY 2014, $122,613 for FY 2015, and $123,903 for FY 2016.

ASSUMPTION (continued)

Oversight assumes the DOR estimate of expense and equipment cost for the new FTE could be overstated. If DOR is able to use existing desks, file cabinets, chairs, etc., the estimate for equipment for fiscal year 2014 could be reduced by roughly $6,000 per additional employee.

Oversight has, for fiscal note purposes only, changed the starting salary for the additional employees to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees, and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

Oversight has also adjusted the DOR estimate of equipment and expense in accordance with OA budget guidelines. Finally, Oversight assumes a limited number of additional employees could be accommodated in existing office space.

Oversight has not been able to locate any reliable information as to the potential impact of sales and use tax changes in this proposal other than the estimates provided by BAP and DOR.

For fiscal note purposes, Oversight will assume that revenues from this proposal would generate more new sales and use tax revenue than would be needed to provide the additional employees requested by the DOR. If revenues are not adequate to support the costs of collections, Oversight assumes the program would be terminated.

Accordingly, Oversight will indicate additional revenues greater than the DOR costs for the General Revenue Fund.

Oversight will indicate revenues greater than $100,000 per year for local governments and unknown additional revenues for the other state funds which receive general sales tax revenues. Oversight assumes the law changes in this proposal would not have an impact on motor vehicle or motor fuel sales and will not include any fiscal impact for transportation funds.

ASSUMPTION (continued)

§§169.270, 169.291, 169.301, 169.324, 169.350 -Kansas City Public School Retirement System:

Officials from **Missouri State Employees Retirement System** assume the proposal would not fiscally impact their agency.

Officials from the **Joint Committee on Public Employee Retirement (JCP)** state that their review of the legislation indicates that such provisions associated with the Kansas City Public School Retirement System may constitute a substantial proposed change in future plan benefits.

§§169.270 & 169.324 - Change in Minimum Retirement Age and Benefit Multiplier:

According to **JCP**, the proposal modifies the normal retirement eligibility and benefit multiplier for employees hired on or after January 1, 2014. The normal retirement eligibility is modified from age 60 with five years for service (or Rule of 75) to age 62 with five years of services (or Rule of 80). The benefit multiplier is modified from 2.00% of compensation times service to 1.75% of compensation times service.

Officials from the **Kansas City Public School Retirement System (KCPSRS)** assume the benefit reductions under the proposed changes will result in lower total contributions. In 2014, the required contribution would decrease by approximately $30,000. The decrease in the required contribution will grow each year following – decreasing by approximately $190,000 in 2015 and $430,000 in 2016.

§§169.291 & 169.350 - Contribution Rates:

JCP states the proposal also modifies employer/employee contribution rates from 7.50% of pay (each for a total of 15%) to an actuarially determined rate not less than 7.50% (each) and not greater than 9.00% (each).

Officials from the **KCPSRS** state member contributions are projected to increase to 8.00% in 2014, 8.50% in 2015, and 9.00% in 2016. The resulting increase is estimated at $779,000 annually, starting January 1, 2014 (employer contribution) for each of these three years.

In response to a similar proposal from this year, officials from the **Kansas City Public School District** assumed the impact to the district, at existing staffing levels, for each .5% incremental increase, would cost the district approximately $500,000.

ASSUMPTION (continued)

§§ 184.800, 184.805, 184.810, 184.815, 184.820, 184.827, 184.830, 184.835, 184.840, 184.845, 184.847, 184.850, and 184.865 - Museum Districts in Natural Disaster Areas:

In response to a similar proposal from this year, SB 74, officials at the **Office of Administration - Division of Budget and Planning (BAP)** assumed this proposal also modifies the existing Missouri Museum District Act to permit only qualifying disaster areas to establish a Museum and Cultural District. This district is authorized to implement a local sales tax up to one percent; however, the Department of Revenue is not involved in administering the tax. Therefore, there is no impact to General Revenue or TSR.

BAP states section 184.840, RSMo, allows General Revenue appropriations for the district. There is not an existing appropriation for this purpose in the FY13 budget but there was an appropriation in a prior fiscal year (FY99) to the American National Fish and Wildlife Museum District.

BAP assumes this proposal should not result in any additional costs or savings to BAP.

Officials at the **City of Kansas City (CKC)** assume limiting museum districts to places where the majority of property has been declared a disaster area will impair the city's ability to form museum districts and impose a museum district sales tax if the city would choose to do so. CKC assumes that loss of revenue might be one the city would be called upon to fill, though not obligated to do so. CKC assumes no direct fiscal impact from this proposal.

Oversight notes this proposal does not appear to limit CKC's ability to form museum districts and impose a museum district sales tax but would permit a Museum District within a Natural Disaster area to be established.

Oversight assumes the Museum District sales tax would result in additional revenues and expenditures to local governments for the locally administered sales tax which would be collected and then disbursed to the museum district if the local government chooses to impose a museum and cultural district sales tax on all retail sales made in the district.

ASSUMPTION (continued)

§198.345 Nursing Home Districts in Fourth Class Counties:

In response to a similar proposal from this year, SB 89, officials from the **Department of Health and Senior Services** assumed this part of the proposal would not fiscally impact their agency.

In response to a similar proposal, SB 89, official at **Department of Social Services - MO HealthNet Division (MHD)** stated section 198.345 concerns establishing and maintaining apartments for seniors and removes the words "and emergency call buttons to the apartment residents". In addition, the section adds fourth class counties to those counties in which a nursing home district may establish apartments for seniors. Senior housing units of this type are typically considered single-family dwellings and are not licensed as residential care facilities, assisted living facilities, intermediate care facilities, or skilled nursing facilities. Therefore, there is no fiscal impact on MHD.

Oversight assumes this part of the proposal would not fiscally impact state or local political subdivisions.

§§302.060, 302.302, 302.304, 302.309, 302.341, 302.525, 476.385 and 577.041 Alcohol Related Traffic Offenses:

In response to similar legislation filed this year, HB 931, the following responded:

§ 302.060

Officials from the **Department of Revenue (DOR)** stated the proposed language will now require a court to order the reinstatement on a 5-year denial, rather than give the court discretion to order it. This could potentially increase the volume of court orders received by the Department. The impact to the Department is unknown. however, a Revenue Processing Tech I (RPT I - A10/L) can process 30 court orders per day.

DOR assumed if the volume of court orders the Department receives increases, additional FTE will be requested through the appropriation process.

ASSUMPTION (continued)

§ 302.309

DOR stated the number of Limited Driving Privilege (LDP) applications received by the Department for persons suspended or revoked for refusing a chemical test or other alcohol-related suspensions and revocations may increase. In addition, more drivers will be required to have an Ignition Interlock Device (IID) to be eligible for a LDP on alcohol suspensions and revocations. This requires the Department to track the installation and status of the IIDs for these drivers. The impact to the Department is unknown, however, a Revenue Processing Tech I (RPT I - A10/L) can process 50 LDP applications and court-ordered LDPs per day. If the volume of LDP applications and court orders the Department receives increases, additional FTE will be requested through the appropriation process.

§ 302.525

DOR assumed the proposed language changes a driver's eligibility for a Restricted Driving Privilege (RDP) when he or she installs an IID. A driver who has not had an alcohol-related enforcement contact in the last five years will immediately be eligible for an RDP if he or she files an SR-22 and installs an IID for the 90-day suspension period. If during the RDP period, the driver violates his or her IID, the driver's RDP will be extended for an additional 30 days. Only one 30-day extension may be granted. However, the proposed language also requires the driver to complete the 30-day RDP extension period "without any" violations before they are eligible for full reinstatement. This language conflicts with the requirement to only allow one additional 30-day RDP extension.

DOR assumed a driver who only has one administrative alcohol suspension also has the option to serve a 30-day suspension period, followed by a 60-day RDP period without the requirement to install an IID. However, a driver who has more than one alcohol-related enforcement contact on his or her driving record must install IID to receive the 60-day RDP.

DOR assumed the IT portion of this section is estimated with a level of effort calculated on 390 hours at $27.05 per hour totaling $10,550.

DOR assumed a cost of $48,524 ($22,874 + $13,280 + $1,820 + $10,550) in FY 2014 to provide for the implementation of the changes for these sections in this proposal.

ASSUMPTION (continued)

§ 577.041

DOR assumed the proposed language allows a driver who has not previously refused to submit to a chemical test, to receive a RDP immediately for a period of 90 days if he or she installs IID and files proof of SR-22 with the Department.

DOR stated if during the RDP period, the driver violates his or her IID, the driver's RDP will be extended for 30 days. Only one 30-day extension may be granted. The language requires the driver to complete the 30-day RDP extension period "without any" violations before being eligible for full reinstatement.

DOR assumed the IT portion of this section is estimated with a level of effort calculated on 890 hours at $27.05 per hour totaling $24,075.

DOR assumed a cost of $105,944 ($4,800 + $8,474 + $22,874 + $30,621 + $13,280 + $1,820) in FY 2014 to provide for the implementation of the changes in these sections for this proposal.

In summary, DOR assumed a cost of $154,468 ($48,524 + $105,944) to provide for the implementation of the changes in this proposal.

However, in response to this TAFP bill, **DOR** assumes a total cost of $30,476 in FY 2014 to implement the changes in the bill.

Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb some of the costs related to this proposal. Oversight will reflect the impact to DOR as “Up to” their estimate of $30,476 in FY 2014.

In response to a similar proposal from this year, officials from the **Office of the State Courts Administrator** assumed the proposal would not fiscally impact the courts

ASSUMPTION (continued)

Bill as a Whole

According to officials from the **Office of the Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than $2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials from the **Department of Economic Development**, **Department of Public Safety - Missouri Highway Patrol**, **Joint Committee on Administrative Rules**, **Office of the State Treasurer**, **Missouri State Employees' Retirement System**, **MoDOT & Patrol Employees' Retirement System**, **Public School Retirement System**, and the **Randolph County Health Department** each assume the proposal would not fiscally impact their respective agencies.

FISCAL IMPACT - State Government	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE			
Additional revenue - Sales tax §§ 144.010, 144.030, and 144.605	More than $112,424	More than $107,294	More than $108,497
Transfer In - from Insurance Dedicated Fund §374.150	$500,000	$500,000	$500,000
Cost - DOR - §§ 44.010, 144.030, and 144.605			
Salaries and wages (3 FTE)	($57,840)	($69,408)	($70,102)
Benefits	($29,351)	($35,221)	($35,573)
Equipment and expense	($25,233)	($2,665)	($2,732)
Total costs - DOR	($112,424)	($107,294)	($108,407)
FTE change - DOR	3 FTE	3 FTE	3 FTE
Cost - Extension of the Freight Line Tax Credit - § 137.1018	$0	$0 or (Unknown)	$0 or (Unknown)
Cost- DOR Administrative Cost §§302.060 et al	(Up to $30,476)	$0	$0
ESTIMATED NET EFFECT ON GENERAL REVENUE	**Unknown could exceed $500,000**	**Unknown could exceed $500,000**	**Unknown could exceed $500,000**
Estimated Net FTE Change on General Revenue	3 FTE	3 FTE	3 FTE

FISCAL IMPACT - State Government (continued)	FY 2014 (10 Mo.)	FY 2015	FY 2016
CONSERVATION COMMISSION FUND			
Additional Revenue - Sales Tax Nexus §§ 144.010, 144.030, and 144.605	Unknown	Unknown	Unknown
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	**Unknown**	**Unknown**	**Unknown**
PARKS, AND SOIL & WATER FUND			
Additional Revenue - Sales Tax Nexus §§ 144.010, 144.030, and 144.605	Unknown	Unknown	Unknown
ESTIMATED NET EFFECT ON PARKS, AND SOIL & WATER FUND	**Unknown**	**Unknown**	**Unknown**
SCHOOL DISTRICT TRUST FUND			
Additional Revenue - Sales Tax Nexus §§ 144.010, 144.030, and 144.605	Unknown	Unknown	Unknown
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	**Unknown**	**Unknown**	**Unknown**

FISCAL IMPACT - State Government (continued)	FY 2014 (10 Mo.)	FY 2015	FY 2016
INSURANCE DEDICATED FUND			
Transfer Out - to Rebuild Damaged Infrastructure Program - §33.080	($10,000,000)	$0	$0
Transfer Out - to General Revenue - §374.150	($500,000)	($500,000)	($500,000)
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	**($10,500,000)**	**($500,000)**	**($500,000)**
MISSOURI HEALTH & EDUCATIONAL FACILITIES AUTHORITY			
Transfer Out - to Rebuild Damaged Infrastructure Fund - §360.045	($4,000,000)	$0	$0
ESTIMATED NET EFFECT ON MISSOURI HEALTH & EDUCATIONAL FACILITIES AUTHORITY	**($4,000,000)**	**$0**	**$0**

FISCAL IMPACT - State Government (continued)	FY 2014 (10 Mo.)	FY 2015	FY 2016
REBUILD DAMAGED INFRASTRUCTURE FUND			
Transfer In - from Insurance Dedicated Fund - §33.080	$10,000,000	$0	$0
Transfer In - from Missouri Health & Educational Facilities Authority - §360.045	$4,000,000	$0	$0
Cost - Damaged Infrastructure Projects §33.080	($14,000,000)	$0	$0
ESTIMATED NET EFFECT ON REBUILD DAMAGED INFRASTRUCTURE FUND	**$0**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2014 (10 Mo.)	FY 2015	FY 2016
LOCAL GOVERNMENTS			
Additional Revenue - Sales tax motor vehicles, boats, etc. §§ 32.087 and 144.615	More than $100,000	More than $100,000	More than $100,000
Additional Revenue - Sales tax nexus §§ 144.010, 144.030, and 144.605	More than $100,000	More than $100,000	More than $100,000
Additional Revenue - Museum District Sales Tax §184.800	Unknown	Unknown	Unknown
Revenue Reduction - Local governments Transient guest tax exemption § 67.1020	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Revenue Reduction - New valuation method for tractor trailers §§137.090 & 137.095	(Unknown)	(Unknown)	(Unknown)
Savings - Kansas City Public Schools - Reduction in retirement contribution §§169.270 & 169.324	$30,000	$190,000	$430,000
Costs - Kansas City Public Schools - Increase in retirement contribution (§§169.291 & 169.350)	($389,500)	($779,000)	($779,000)
Cost - Disaster Zone Development §184.800	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	**Unknown to (Unknown)**	**Unknown to (Unknown)**	**Unknown to (Unknown)**

Offsetting fiscal impact of $7.1 million revenue reduction and additional revenue beginning in FY 2017 for §137.720.

KB:LR:OD

FISCAL IMPACT - Small Business

Small business manufacturers and installers of ignition interlock devices may be impacted by the proposal.

FISCAL DESCRIPTION

This proposal modifies provisions relating to taxation.

§§ 32.087, 144.020, 144.021, 144.069, 144.071, 144.440, 144.450, 144.455, 144.525, 144.610, 144.613, and 144.615 - Sales Tax on Motor Vehicles:

This act eliminates both state and local use taxes on the storage, use or consumption of motor vehicles, trailers, boats, or outboard motors. This act specifies that a sales tax is to be collected for the titling of such property. The rate of tax associated with titling will be the sum of state sales tax and the local sales tax rate in effect at the address of the owner of the property.

All local taxing jurisdictions that have not previously approved a local use tax must put to a vote of the people whether to discontinue collecting sales tax on the titling of motor vehicles purchased from a source other than a licensed Missouri dealer. If a taxing jurisdiction does not hold such a vote before November 2016, the taxing jurisdiction must cease collecting the sales tax. Taxing jurisdictions may at any time hold a vote to repeal the tax. Language repealing the tax must also be put to a vote of the people any time 15% of the registered voters in a taxing jurisdiction sign a petition requesting such.

This proposal contains a nonseverability clause and an emergency clause for these provisions.

§§ 33.080, 33.295, 360.045, and 374.150 - Rebuild Damaged Infrastructure Program:

This act creates the "Rebuild Damaged Infrastructure Program" to provide funding for the reconstruction, replacement, or renovation of, or repair to, any infrastructure damaged by a presidentially declared natural disaster. Moneys from the program cannot be expended on projects eligible to receive funds from the US Housing and Urban Development.

This act also provides that on July 1, 2013, certain funds from the Insurance Dedicated Fund and the Missouri Health and Educational Facilities Authority Act shall be transferred to the Rebuild Damaged Infrastructure Fund created under this act. Moneys from the Insurance Dedicated Fund shall also be transferred to the state General Revenue Fund. The program and fund shall expire on June 30, 2014. These provisions have an emergency clause.

FISCAL DESCRIPTION (continued)

§§ 137.090 & 137.095 - Assessed Value of Tractor Trailers:

This proposal specifies that tractors or trailers used in interstate commerce will have their Missouri assessed value based on the ratio of the number of miles traveled in Missouri and the number of total miles traveled.

§137.720 - Assessment Fund Withholding:

This act removes the sunset provision for deposits into the assessment fund.

§137.1018 Freight Line Tax Credit:

Currently, freight line companies may qualify for a credit against property taxes for certain expenses. This act extends the sunset from August 28, 2014 to August 28, 2020. This provision is identical to HB 201 (2013).

§§ 144.010, 144.030, and 144.605 - Use Tax Nexus:

This proposal modifies provisions relating to the Sales Tax Law and the Compensating Use Tax Law. The term "engaging in business" in the Sales Tax Law is expanded to include the meanings given to "engages in business in this state" and "maintains a business in this state" as they are defined in the Compensating Use Tax Law.

This proposal makes agreements between the executive branch and any person that exempts them from collection of sales and use tax void unless approved by both chambers of the General Assembly.

The definition of "engages in business activities within this state" in the Compensating Use Tax Law is modified. The use of media to exploit Missouri's market will no longer make a vendor meet the definition. Being controlled by the same interests which control a seller engaged in a similar line of business in this state will also no longer meet the definition.

Under the Compensating Use Tax Law, a presumption is created that a vendor engages in business activities within this state if any person with a substantial nexus to Missouri performs certain activities in relation to the vendor within this state. The presumption may be rebutted by showing that the person's activities are not significantly associated with the vendor's ability to maintain a market in Missouri.

KB:LR:OD

FISCAL DESCRIPTION (continued)

A second presumption is created that a vendor engages in business activities within this state if the vendor enters into an agreement with a resident of Missouri to refer customers to the vendor and the sales generated by the agreement exceeds $10,000 in the preceding twelve months. This presumption may be rebutted by showing that the Missouri resident did not engage in activity within Missouri that was significantly associated with the vendor's market in Missouri in the preceding twelve months.

The definition of "maintains a place of business in this state" in the Compensating Use Tax Law is modified to remove common carriers from its provisions.

Currently, there is an exemption from the definition of vendor under the Compensating Use Tax Law for vendors whose gross receipts are less than certain amounts, do not maintain a place of business in Missouri, and have no selling agents in Missouri. This act removes the exception.

§§169.270, 169.291, 169.301, 169.324, 169.350 - Kansas City Public School Retirement System:

This proposal modifies the qualifications for system membership. A person will cease to be a member of the retirement system if he or she has a break in service before he or she has earned vested retirement benefits or if the person withdraws his or her accumulated contributions from the system.

Currently, the minimum normal retirement age is the age of sixty or the date when a member has at least seventy-five credits. This act limits this minimum normal retirement age to members who retire before January 1, 2014, or individuals who were members of the system on December 31, 2013, and remain members continuously to retirement. For any person who becomes a member on or after January 1, 2014, minimum normal retirement age will be age sixty-two or the date when the member has at least eighty credits, whichever is earlier. (Section 169.270)

Currently, statute sets the employer contribution rate at 7.5% and the member contribution rate at 7.5%. Beginning in calendar year 2014 and for each subsequent year, the employer contribution rate will be determined by the system's actuary and certified by the board of trustees at least six months prior to the contribution rate's effective date. In addition, the member contribution rate will be determined by the system's actuary.

Beginning in 2013, and annually thereafter, the system's actuary must calculate the contribution rates for 2014 and each subsequent calendar year based on an actuarial valuation of the retirement system as of the first day of the prior calendar year. The actuary must use the actuarial cost method and actuarial assumptions adopted by the board of trustees, as described in the

FISCAL DESCRIPTION (continued)

proposal. The target employer and member contribution rates will be the amount actuarially required to cover the normal cost and amortize any unfunded actuarial accrued liability over a period not to exceed thirty years.

The target combined contribution rate will be allocated equally between the employer and member contribution rate except that the contribution rate must not be less than 7.5% and not exceed 9%. The contribution rate cannot increase more than one-half percent from one year to the next.

The current benefit formula uses a multiplier of two when calculating the annual service retirement allowance. This act limits the use of this multiplier of two to individuals who retire before January 1, 2014, or who were members of the system on December 31, 2013. For individuals who become members on or after January 1, 2014, the annual service retirement allowance will be calculated using a multiplier of one and three-fourths.

The board of trustees may only award a cost-of-living-adjustment if it does not require an adjustment of the then applicable employer and member contribution rates.

§§ 184.800, 184.805, 184.810, 184.815, 184.820, 184.827, 184.830, 184.835, 184.840, 184.845, 184.847, 184.850, and 184.865 - Museum Districts in Natural Disaster Areas:

This proposal modifies the Missouri Museum District Act. The act expands the scope of museum districts to include buildings or areas used for promoting culture and the arts, including theater, music, entertainment, public places, libraries, and other public assets. The act restricts the creation of museum and cultural districts under these provisions to situations where the majority of the property is located within a disaster area. The act requires that petitions to create museum and cultural districts be filed within five years of the Presidential declaration establishing the disaster area.

The museum and cultural district can include property parcels that are not connected to each other. Legal voters who live in the proposed district will not be required to be listed on the petition to create the district, will not be required to be served a copy of the petition creating the district, and will not have statutory authority to sue to support or oppose the creation of the district.

The board of directors of the district will be made of five members who are all elected at a public meeting. The General Assembly is authorized to make appropriations from general revenue to a district created under this act for a period of twenty years after January 1, 2013. In addition to a

FISCAL DESCRIPTION (continued)

sales tax, the board is authorized to impose, with the approval of qualified voters, a fee of up to one dollar on any person or entity that offers or manages an event in the district and charges admission for the event. The district will not be required to contract only with a not-for-profit or governmental entity to operate and manage any museum or cultural asset in the district.

§§302.060, 302.302, 302.304, 302.309, 302.525, 476.385 and 577.041 Alcohol Related Traffic Offenses:

This proposal requires the court to order the Department of Revenue to issue a license to persons convicted of certain intoxication-related traffic offenses if the person (1) petitions the court, (2) has no pending charges or convictions relating to alcohol or drugs over a certain period, and (3) the court finds that the person does not pose a threat to the public.

For persons seeking a stay of assessment of points, the act gives them the option of completing the driver-improvement program through an online course.

A person whose license is to be suspended for a first offense of driving while intoxicated or driving with excessive blood alcohol content may complete a 90-day period of restricted driving privilege in lieu of the suspension if he or she provides proof to the department that all vehicles operated by the person have a functioning, certified ignition interlock device. If the person fails to maintain proof of the device, the restricted driving privilege will be terminated. Upon completion of the 90-day period of restricted driving privilege, compliance with other requirements of law, and filing proof of financial responsibility with the department, the license must be reinstated. However, if the monthly monitoring reports during the 90-day period indicate that the ignition interlock device has registered a confirmed BAC level above the alcohol set-point or the reports indicate the device has been tampered with or circumvented, then the license will not be reinstated until the person completes an additional 30-day period of restricted driving privilege.

The proposal specifies that any person who has had a license to operate a motor vehicle suspended or revoked as a result of an assessment of points for a conviction for an intoxication-related traffic offense and has a prior alcohol-related enforcement contact will be required to file proof with the department that any motor vehicle operated by the person is equipped with a functioning, certified ignition interlock device as a required condition of reinstatement of the license.

Persons may receive a limited driving privilege if his or her license at the time of application has been suspended or revoked due to a failure to submit to a chemical test and the person has

FISCAL DESCRIPTION (continued)

completed the first 90 days of revocation and files proof of installation with the department that any vehicle operated by him or her is equipped with a functioning, certified ignition interlock device, provided he or she is not otherwise ineligible for a limited driving privilege.

The proposal specifies that a circuit court or the department may allow a person who has been convicted more than twice for driving while intoxicated and has had his or her license revoked for a period of 10 years without the ability to obtain a new license or for a person who has been convicted twice for driving while intoxicated and has had his or her license revoked for a period of five years to apply for a limited driving privilege and repeals the requirement that he or she must serve at least 45 days of the disqualification or revocation. A circuit court must grant a limited driving privilege to any person who otherwise is eligible, has filed proof of installation of a certified ignition interlock device, and has had no alcohol-related enforcement contacts since the contact that resulted in his or her license denial.

A person whose driving record shows no prior alcohol related enforcement contacts in the immediately preceding five years may complete a 90-day period of restricted driving privilege in lieu of the suspension if he or she provides proof to the department that all vehicles operated by the person have a functioning, certified ignition interlock device. Upon completion of the restricted driving period, compliance with other requirements of law, and filing proof of financial responsibility with the department, the license must be reinstated. However, if the monthly monitoring reports during such 90-day period indicate that the ignition interlock device has registered a confirmed BAC level above the alcohol set-point or has been tampered with or circumvented, then the license cannot be reinstated until he or she completes an additional 30-day period of restricted driving privilege.

The proposal specifies that any person who has a license to operate a motor vehicle revoked under these provisions and has a prior alcohol-related enforcement contact will be required to file proof with the department that any motor vehicle operated by him or her is equipped with a functioning, certified ignition interlock device as a required condition of reinstatement. The ignition interlock device must be required on all motor vehicles operated by the person for a period of at least six months immediately following reinstatement. If the monthly monitoring reports show that the device has registered a confirmed blood alcohol concentration reading above the alcohol setpoint or has been tampered with or circumvented, then the period will be extended for an additional six months.

Provisions relating to alcohol related traffic offenses, except section 302.309, have an effective date of March 3, 2014.

KB:LR:OD

FISCAL DESCRIPTION (continued)

§ 302.309 has an emergency clause.

§ 302.341 - Moving Traffic Violations:

Currently, if a Missouri resident fails to dispose of a moving traffic violation charge, the court must order the Director of the Department of Revenue to suspend his or her driving privileges if the charges are not disposed of and fully paid within 30 days. Upon proof of disposition of charges and payment of fine, court costs, and reinstatement fee, the director must return the license and remove the suspension from the driving record if he or she was not operating a commercial motor vehicle or a commercial driver's license holder at the time of the offense. The act removes the requirement that the director return the license upon proof of the disposition of charges.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

KB:LR:OD

SOURCES OF INFORMATION

Office of Administration - Division of Budget and Planning
Office of the State Courts Administrator
Department of Revenue
Department of Natural Resources
Office of Secretary of State
Department of Insurance, Financial Institutions and Professional Registration
Department of Economic Development
Missouri Tax Commission
Department of Conservation
Missouri State Employees' Retirement System
Joint Committee on Public Employees' Retirement
Department of Health and Senior Services
Department of Social Services
Missouri State Highway Patrol
Joint Committee on Administrative Rules
State Treasurer's Office
Public School Retirement System
MODOT & Patrol Employees Retirement System
Kansas City Public School Retirement System
Kansas City Public Schools
City of Kansas City
St. Louis City
City of Farmington
City of Perryville
Pettis County
St. Louis County
Boone County
Randolph County Health Department

Ross Strope
Acting Director
June 14, 2013

KB:LR:OD